



CONSTRUCTION BULLETIN

Volume XXIV

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Number 34

Real Estate Economists, Appraisers and Counselors

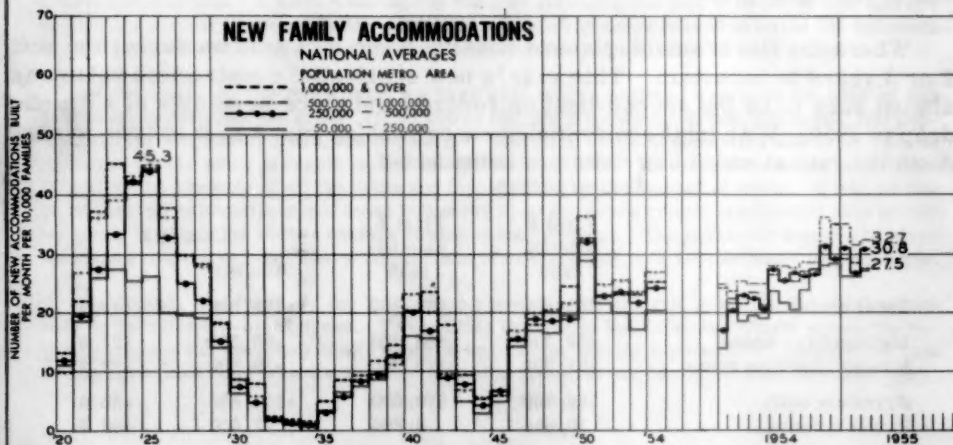
RATE OF CONSTRUCTION ON THE RISE

FOR the past year or so the rate of nonfarm residential construction has been in another upswing. This is shown by the chart at the bottom of the page, which traces the rate of construction in metropolitan areas from 1920 to the present. The four different lines refer to metropolitan areas in four various-sized groups. By rate of construction we mean the number of nonfarm dwelling units started per month per 10,000 families.

While the rate of residential construction was relatively high in 1950 and is once more moving up, it has at no time during this postwar boom reached the heights it enjoyed during the 1923-26 period. In this period the national average ranged from 41.4 to 46.6. The highest rate during the present boom was the 37.3 reached in 1950. For the remainder of the 1947-55 period the national rate has varied between 26.2 and the present rate of 31.8.

Even when comparing periods of longer duration, the earlier period shows a higher rate than the present period. For example, the average rate for the 20 years of 1916-35 was 24.4, while in the 20 years of 1936-55 the average was 21.5. Each of these 20-year periods has 7 years when the rate was abnormally low because of wartime restrictions or depression.

(cont. on page 328)



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The average rate for the 1916-35 period ran a little better than 13% ahead of the 1936-55 period, despite the fact that there was no Government assistance to financing and no public housing. The reason for this was the large amount of rental housing erected during this earlier period. The years 1923-28 were particularly active in this type of construction, and a total of 2,113,000 units were erected in structures containing two or more dwellings. The average for that 6-year period was 352,160 rental units per year. In contrast, the best 6 post-war years for rental housing construction (1949-54) saw only 1,157,000 rental units started, or an average of 192,830 per year. Thus you see that rental construction volume during the 1923-28 period ran 82% ahead of that during 1949-54.

There is no way to tell for certain what the makeup of the postwar housing boom would have been without rent controls and the wide-open home financing sponsored by the Government. Based only upon observations of what took place in the 1923-28 period, it is reasonable to assume that private investors would have once more entered the rental housing field in large numbers. As a result, a substantial portion of the housing shortage would have been taken up by the construction of privately financed rental housing. This would have obviated the use of 608 loans and their unfortunate aftermath. It would also have taken away a substantial part of the load the Government has shouldered in the form of guaranties on single-family home loans.

Regardless of this speculation, one thing is certain - the Government is in the housing field to stay. There are a good many people, no doubt the majority, who look upon this as an unmixed blessing. We are not so sure. However, we are certain of this - the Government's entrance into the housing field via rent control and FHA-VA guaranties has forced a complete change in the residential housing market. Whether this change is fundamentally a good one, we do not know. We suspect that it is not, because it rises from Government control of credit which has always been the aim of the Socialists in their efforts to bring about the downfall of free enterprise.

Where the Government-planned housing boom will lead us during the next 2 or 3 years is uncertain. This year's new residential construction volume is almost sure to be the second-best on record, and there is no sign of a drastic drop in 1956. With total residential vacancy pushing past 8%, it is time to slow down the rate at which new units are being added.

	First 6 months 1954	First 6 months 1955	Change	
			Number	%
Total nonfarm	569,500	679,300	+109,800	+19.3
Metropolitan areas	418,300	508,600	+90,300	+21.6
Nonmetropolitan areas	151,200	170,700	+19,500	+12.9
Privately built	558,700	670,500	+111,800	+20.0
Public housing	10,800	8,800	-2,000	-18.5

EXPLANATION OF CHARTS

RESIDENTIAL building in all metropolitan areas of the United States as defined by the 1950 Census is charted on the following pages. The 168 areas include all areas in which the central city had a 1950 population of more than 50,000.

In each city all suburbs, incorporated and unincorporated areas, have been contacted and every effort has been made to make this report as complete as possible. In most cities it has been possible to include practically all of the suburbs within the metropolitan area. For example, the New York City and Northeastern New Jersey area figures include the building in 326 suburban communities; the Chicago area includes building in 166 suburban communities; Philadelphia, 161; Detroit, 101; Los Angeles, 63; and Cleveland, 61. In all, more than 2,300 communities are represented in these charts.

On the charts the figures are expressed as the number of new family units started per 10,000 families in each metropolitan area as indicated by building permits. In non-permit-issuing areas, we requested the tax clerk to report to us the number of dwelling units added to the tax roll each month. In this computation, a single-family dwelling counts 1, a 2-family dwelling counts 2, and a 24-family apartment counts 24. All public housing and war housing projects have been included, along with buildings that were privately built and financed.

The blue italicized numerals on each chart give the number of new family accommodations built in the last 3 months for which figures are available. These are actual figures and are not adjusted for the number of families. The red italicized numerals give the corresponding figures for the corresponding period of a year ago.

It should be noticed on the individual charts that separate averages (medians) have been used for four groupings of metropolitan areas. The average number of new family accommodations built per month per 10,000 families is shown from 1920 to the present for metropolitan areas having from 50,000 to 250,000 people (the solid red line); for areas having from 250,000 to 500,000 people (the beaded red line); for areas having from 500,000 to 1,000,000 people (the dash-dot line); and for those areas having a population of over 1,000,000 (the dashed red line). Ninety-one areas fall into the first category; 44 into the second; 19 into the third; and 14 into the fourth.

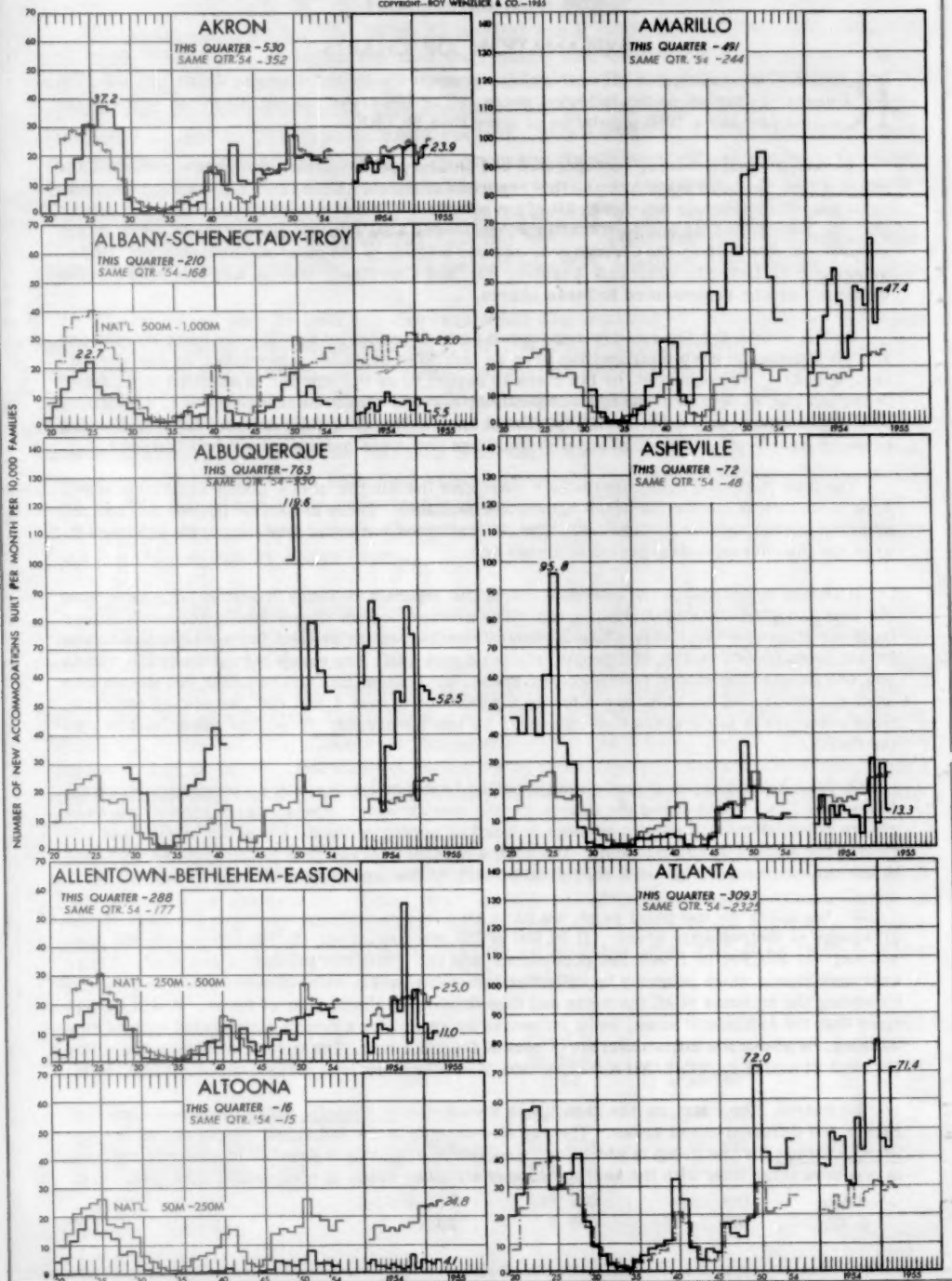
On each area chart is shown in red the national average for areas in its grouping in contrast to the blue line, which shows the figures for the specific area. The averages used on the area charts are medians. A median average is found by arranging the data in order of size and selecting the amount at the midpoint. Because a median average thus eliminates the influence of the two extremes, it gives a very good picture of the typical area in each group.

On the chart on the front page we have also shown national averages for each of the groupings of metropolitan areas: (1) 50,000 to 250,000 population; (2) 250,000 to 500,000 population; (3) 500,000 to 1,000,000 population; and (4) 1,000,000 population and over. These averages should more properly be called arithmetic means. An arithmetic mean is obtained by adding the amounts of all the items and then dividing by the number of items. It will be noticed that the arithmetic mean, being influenced by areas with a greatly accelerated rate of new building, is above the median average of each of the groupings. The arithmetic means are given for each grouping in order that a comparison of new building on a volume basis may be made.

We repeat, the chart on the front page shows the arithmetic mean of the construction rate in the different-sized areas. The red line on each of the individual charts shows the national average for the group in which each area belongs, making it possible to compare the rate in one area (blue line) with the average rate of all other areas of comparable size (red line).

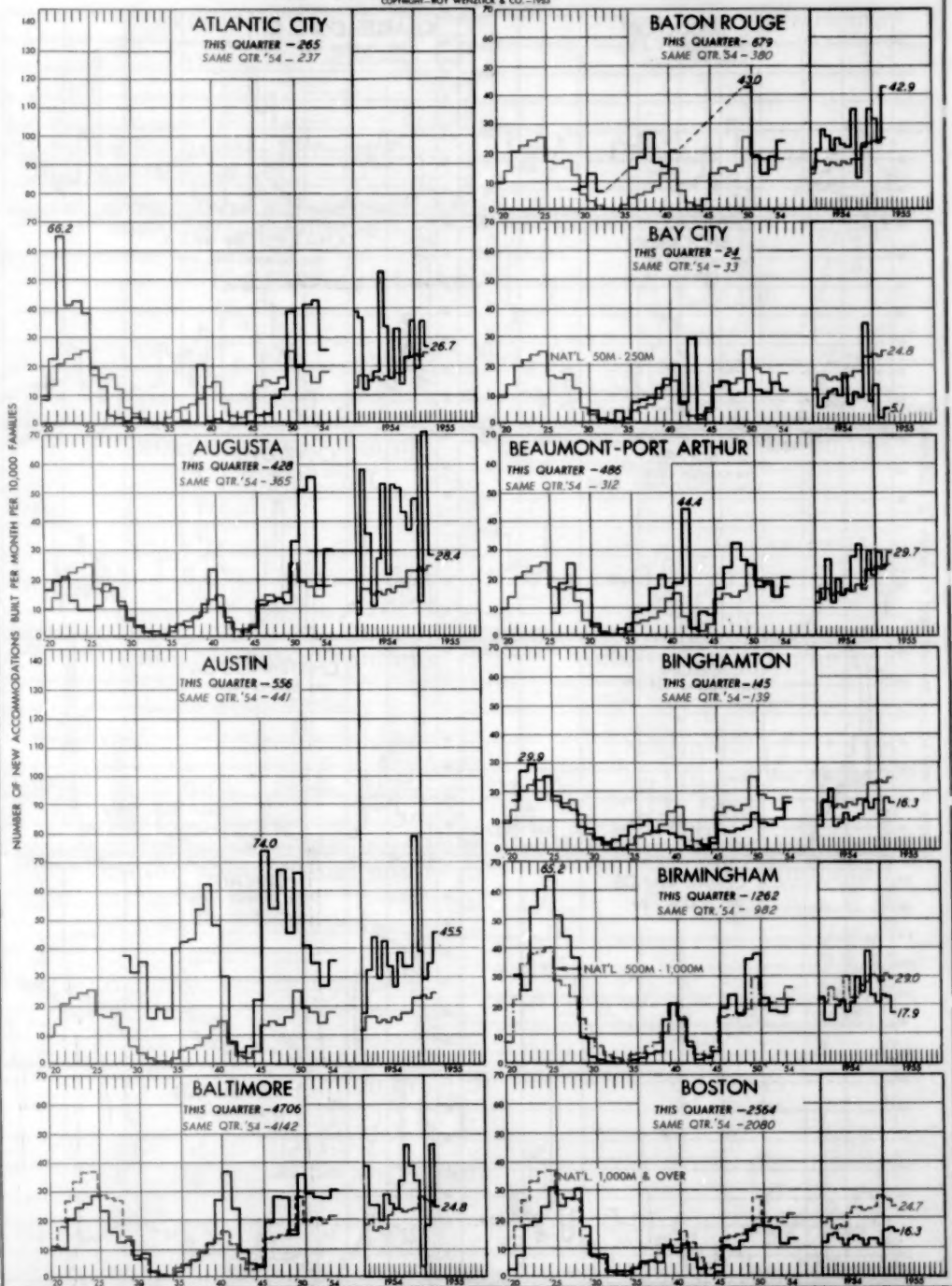
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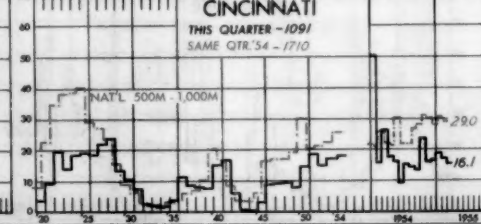
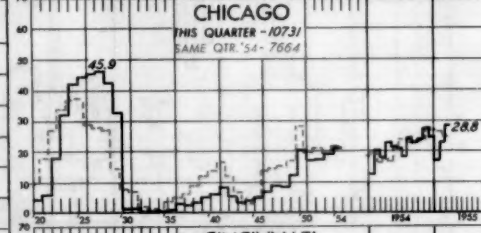
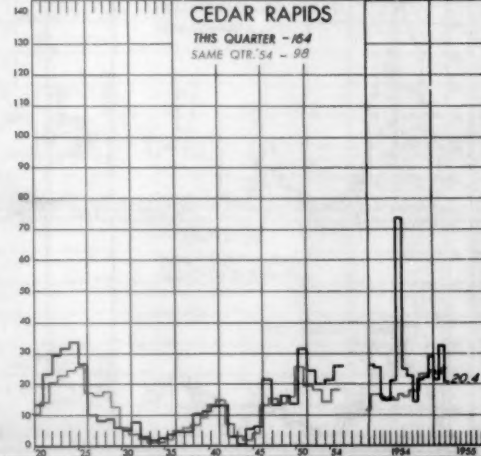
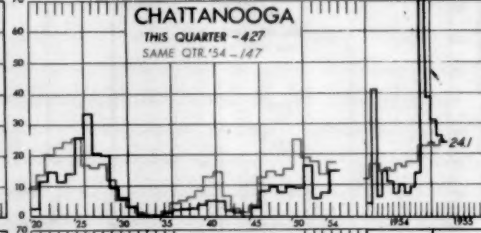
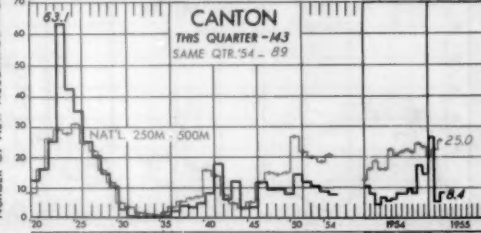
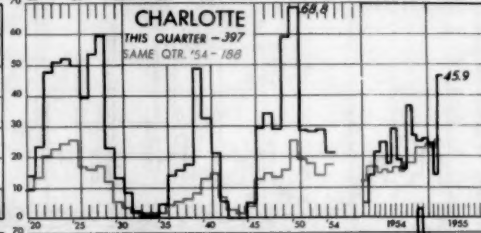
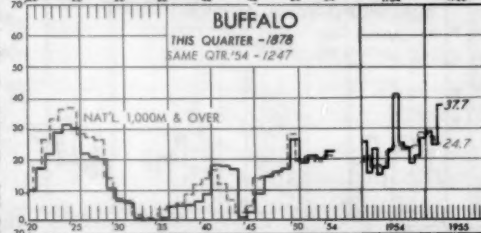
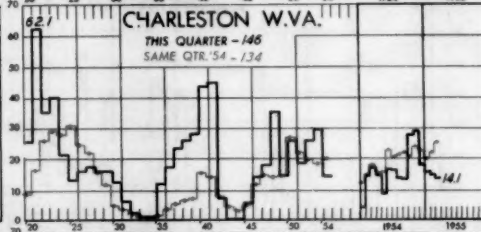
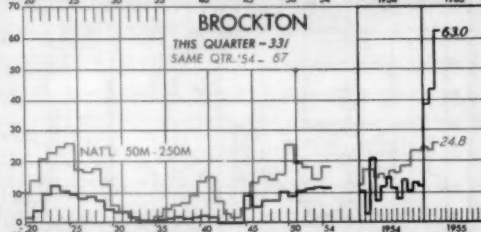
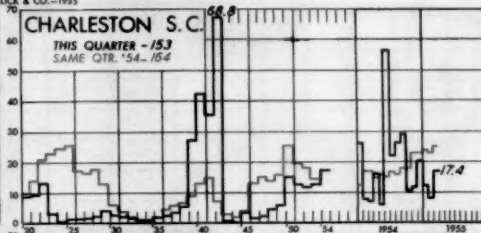
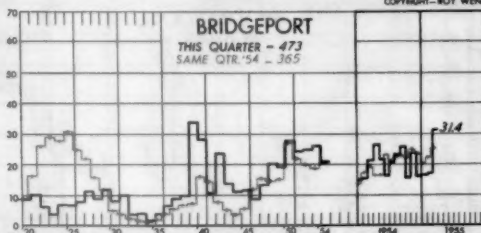
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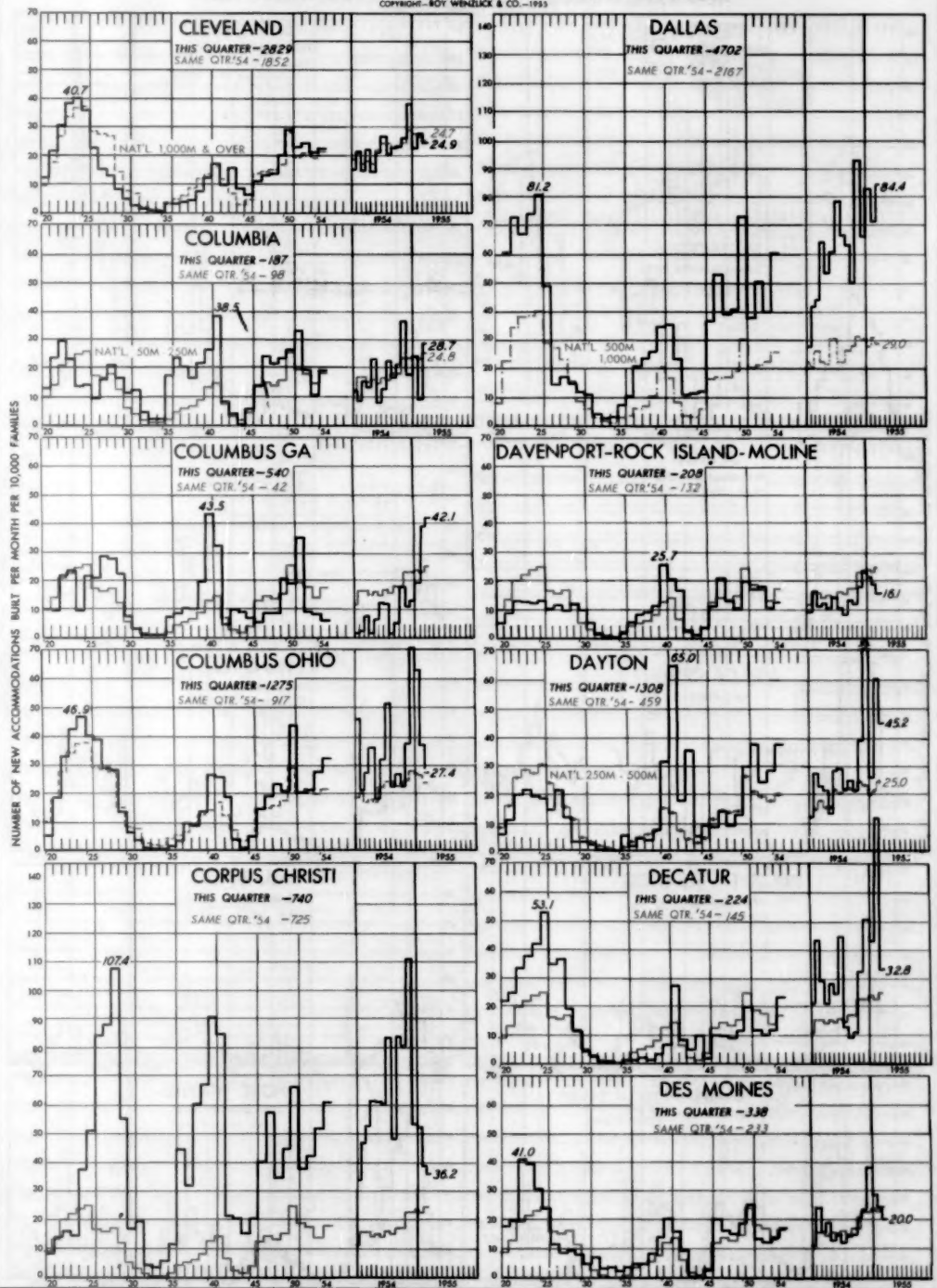
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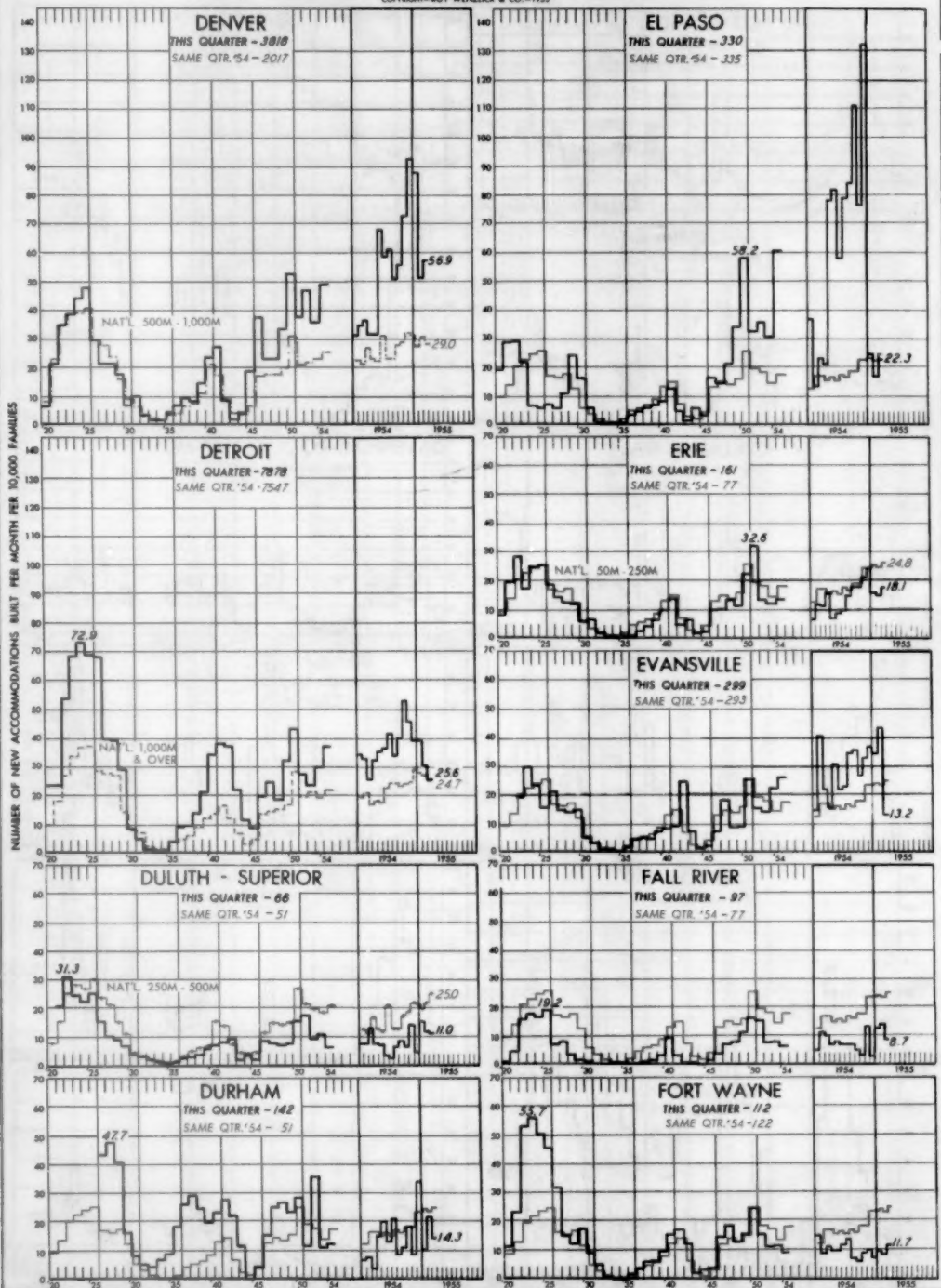
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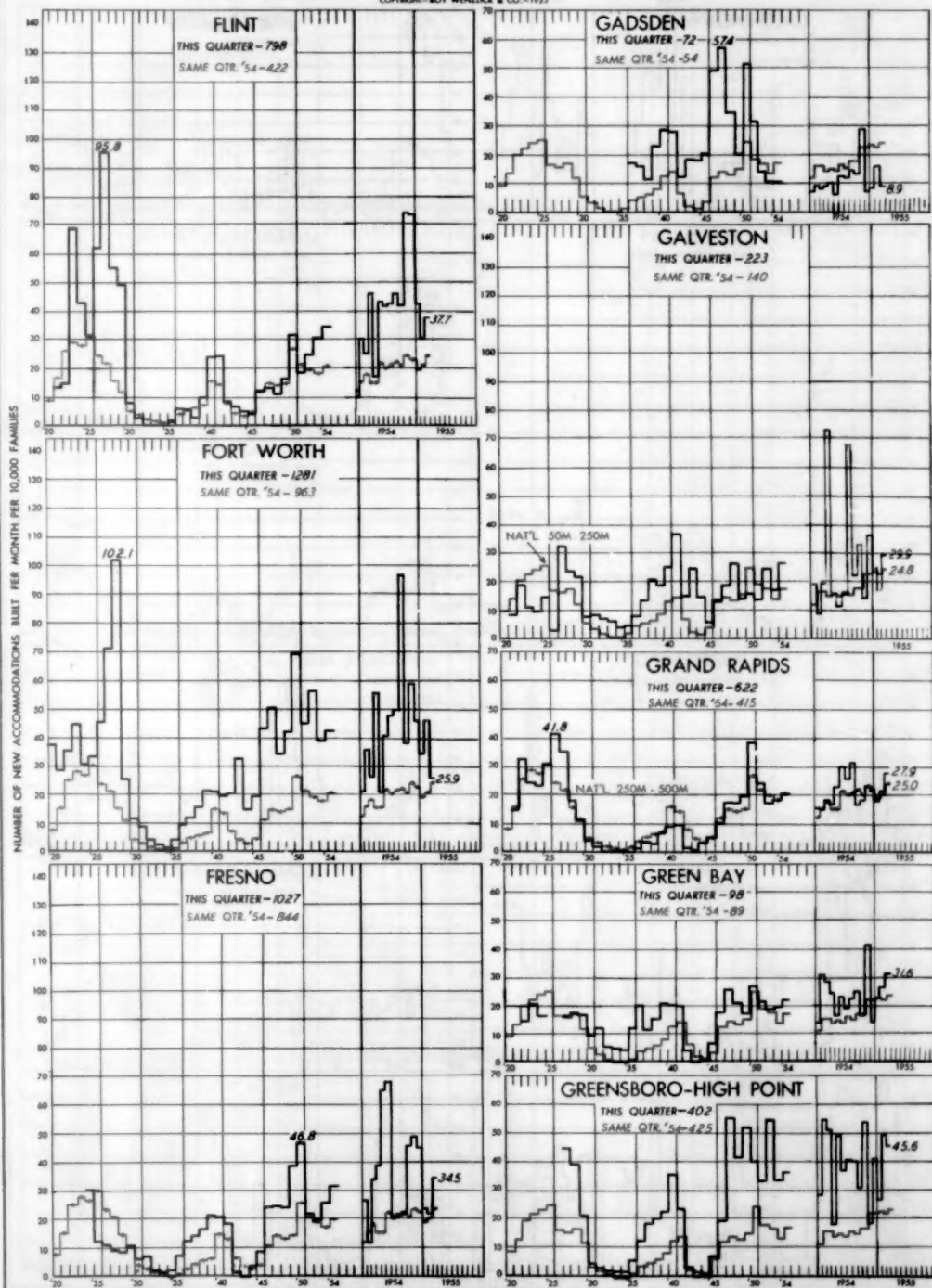
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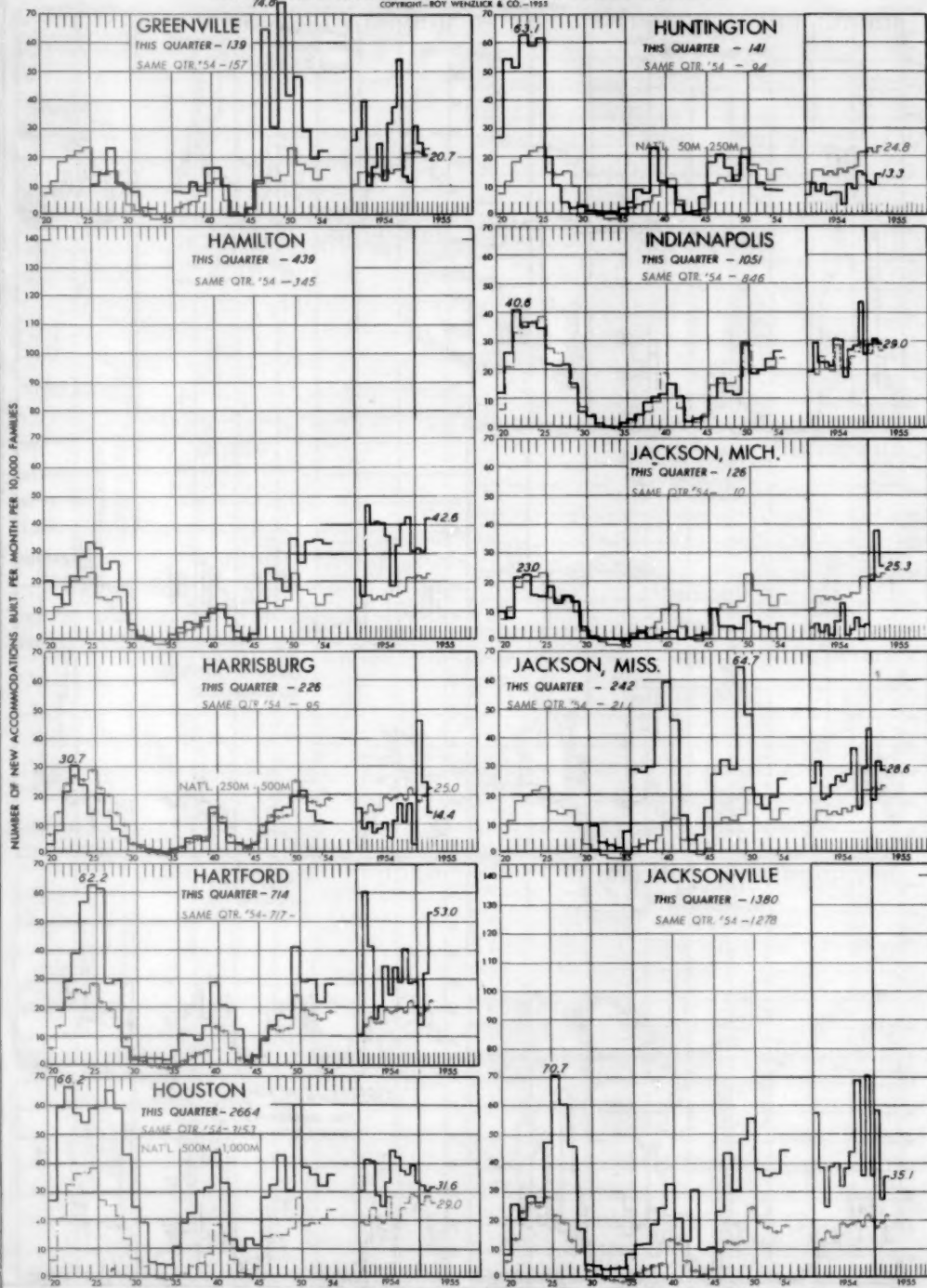
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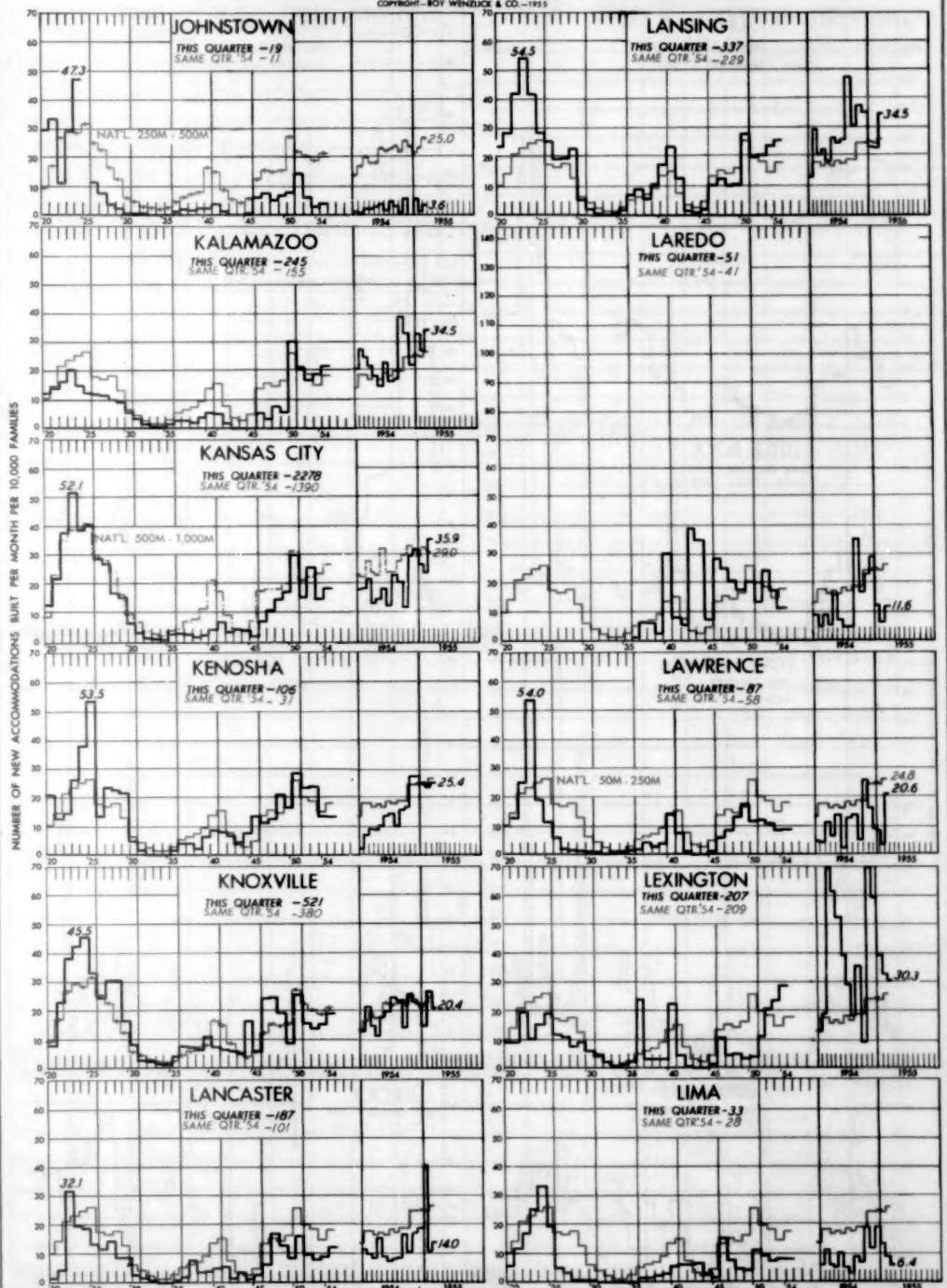
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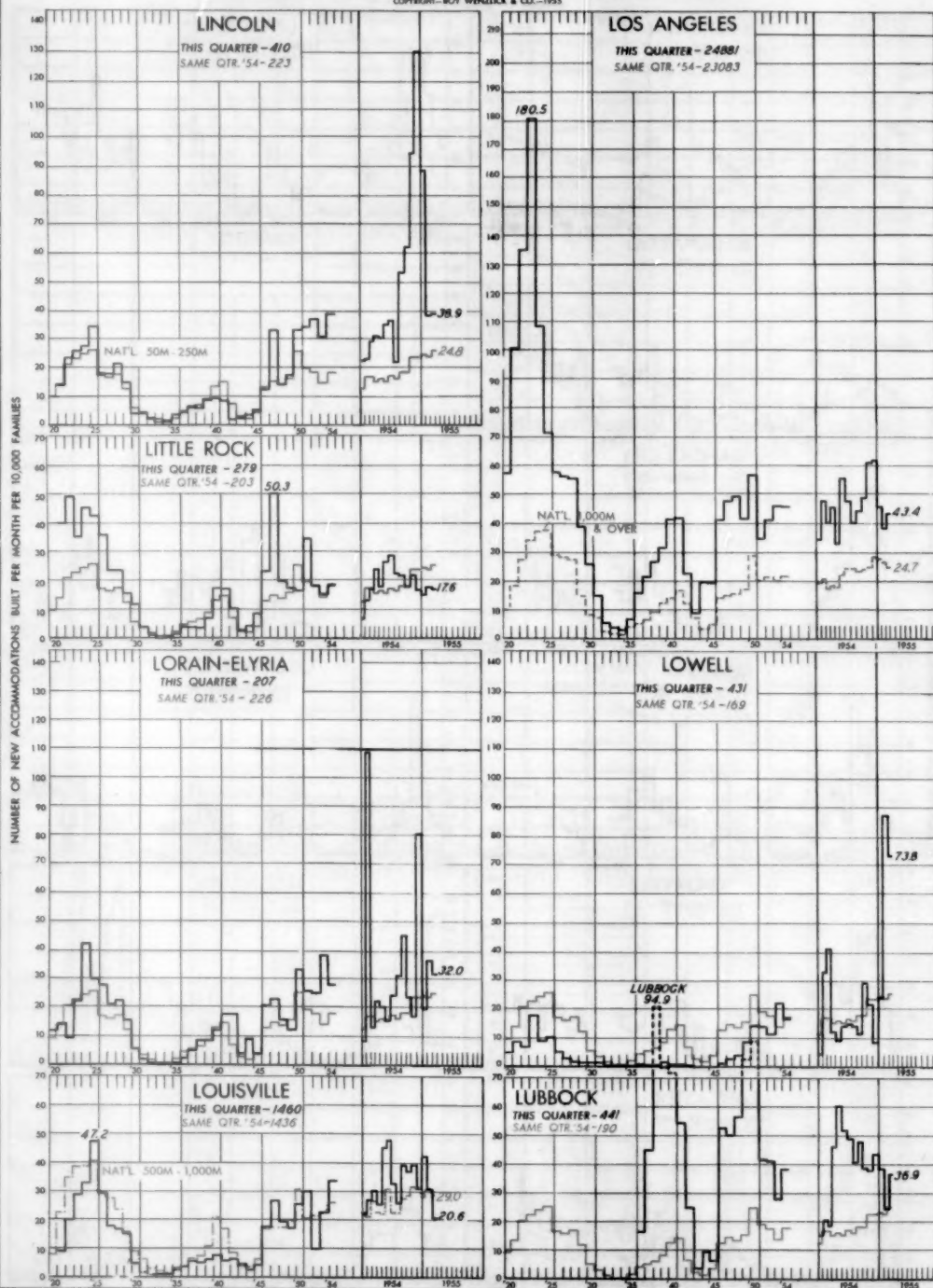
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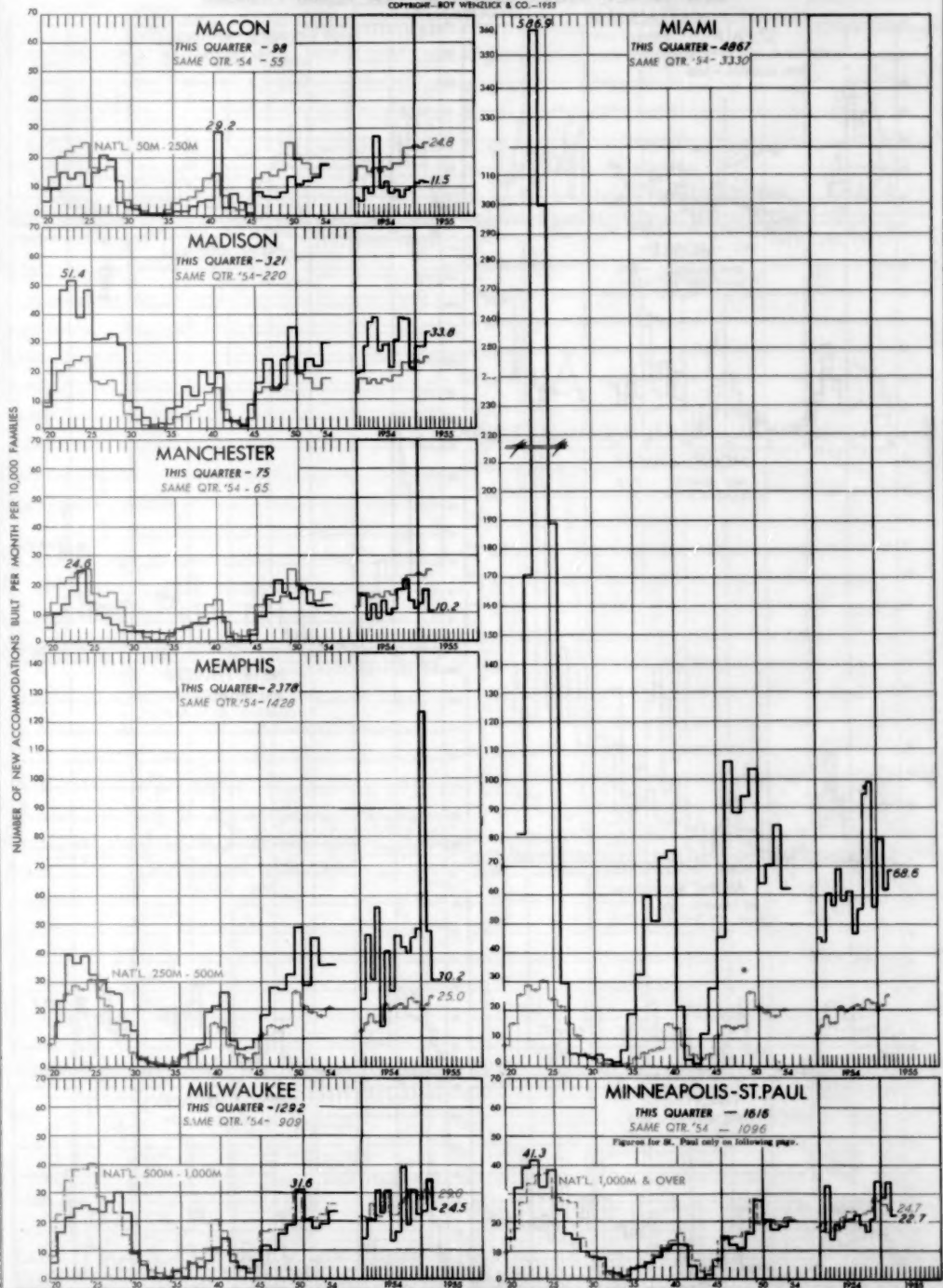
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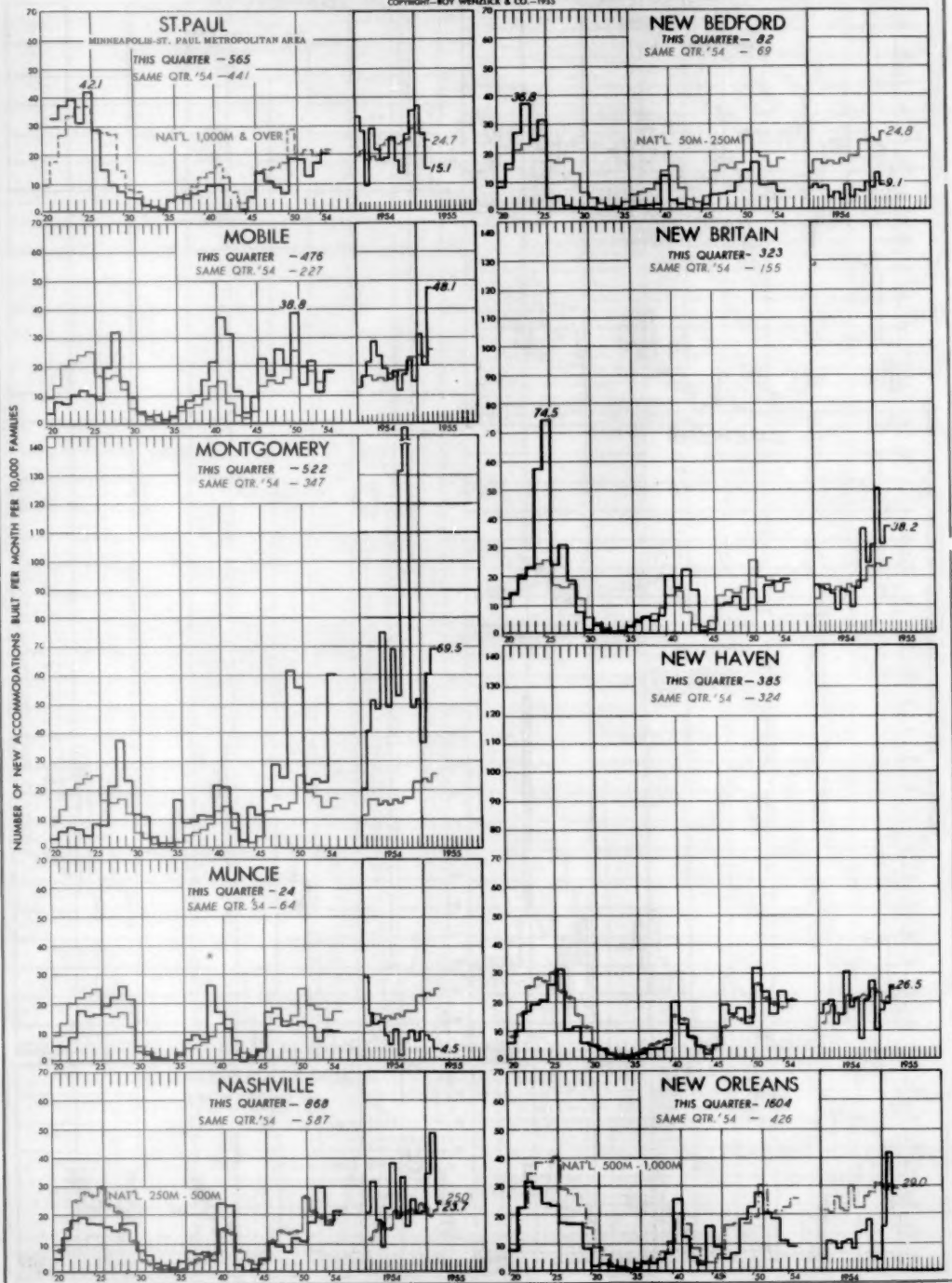
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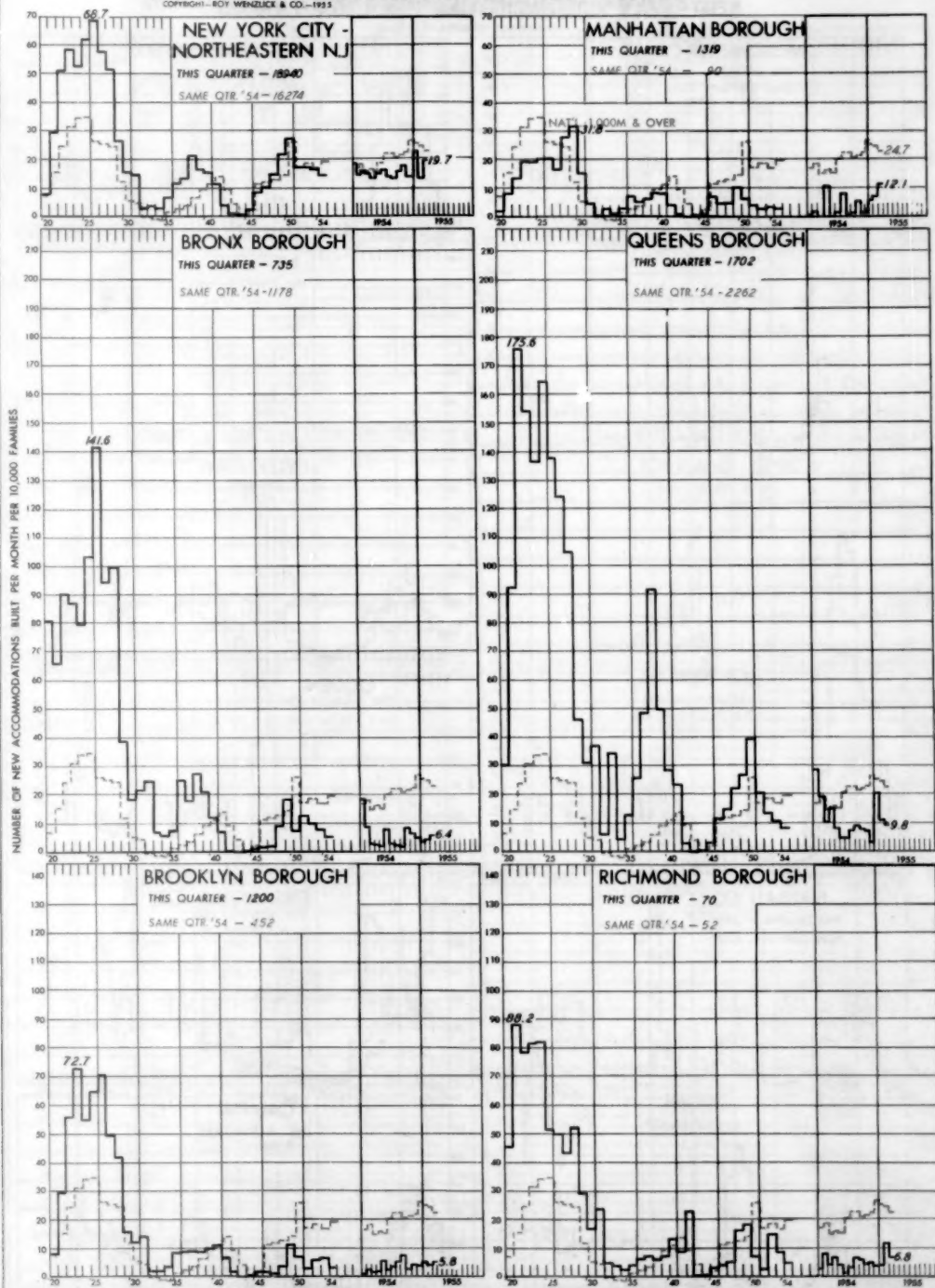
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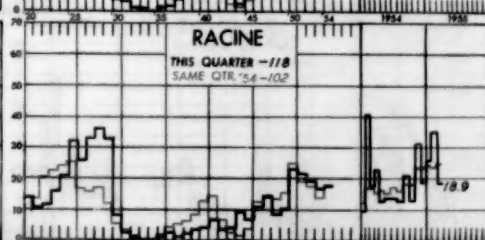
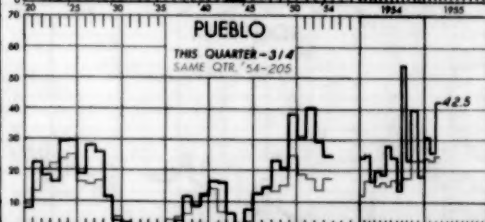
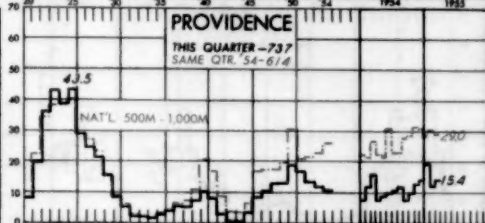
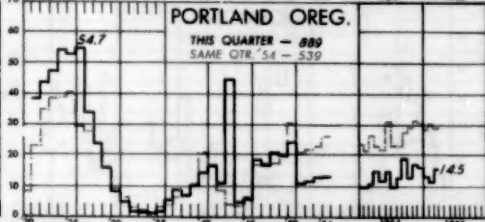
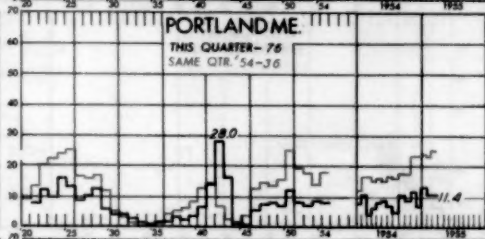
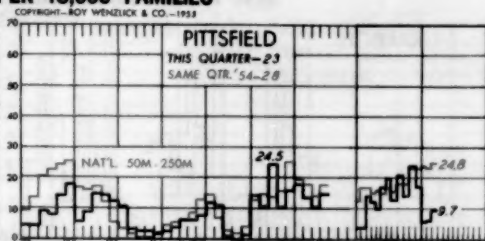
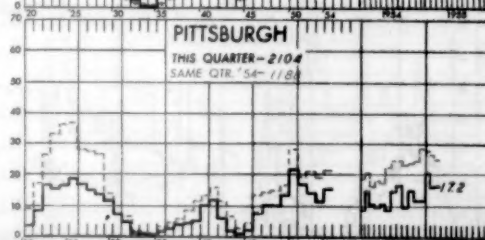
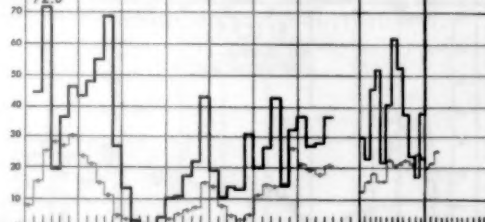
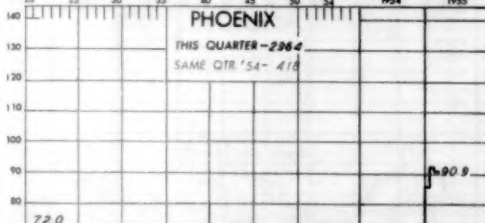
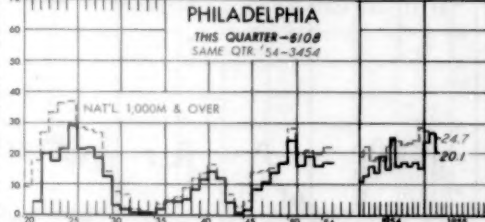
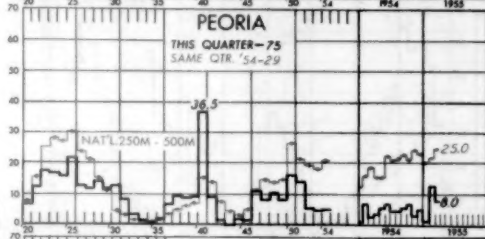
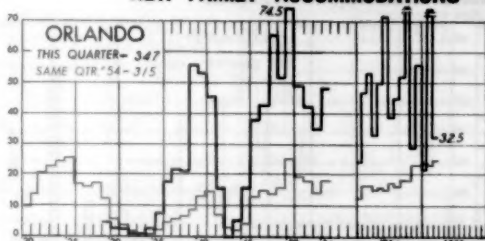
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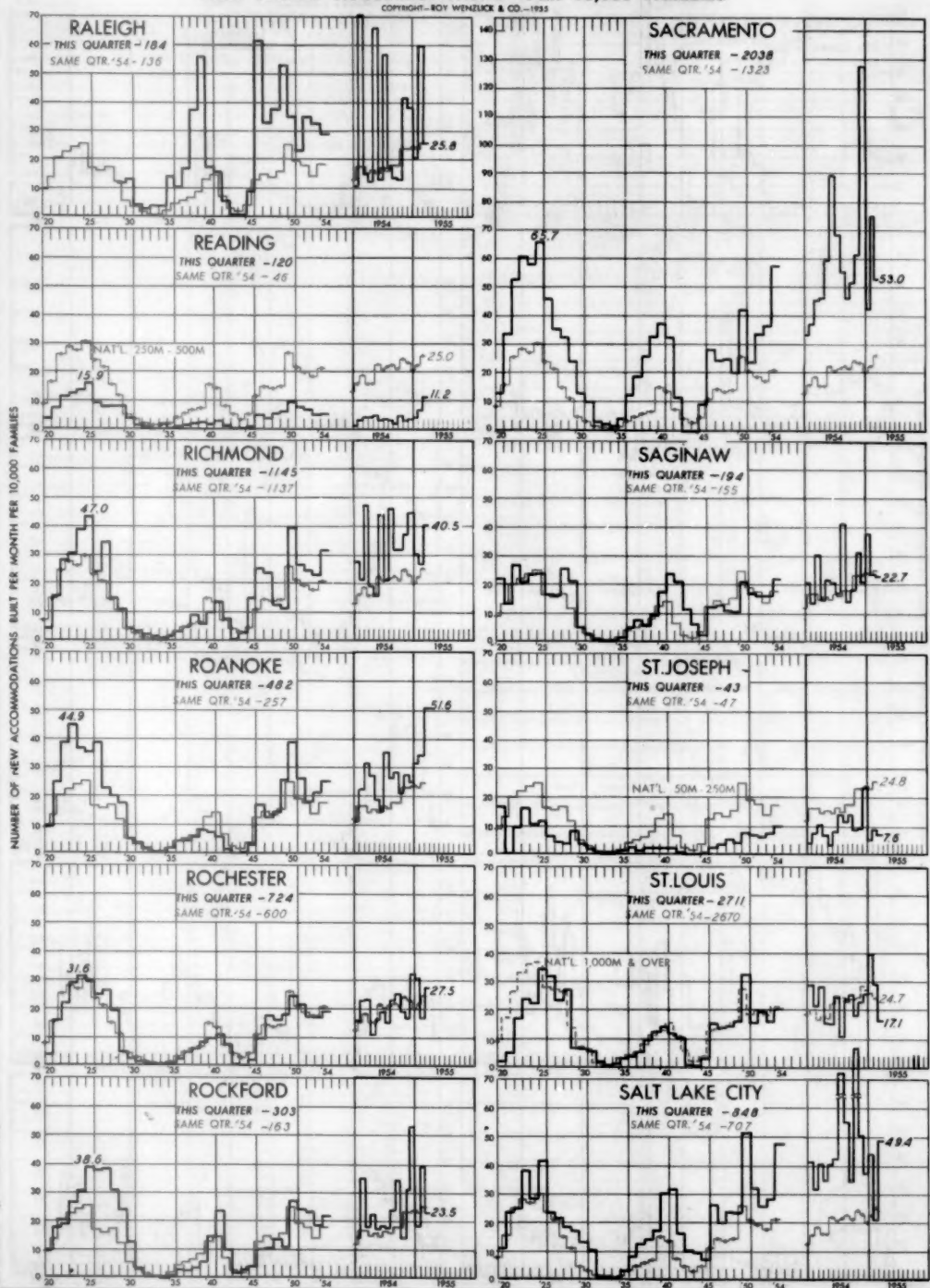
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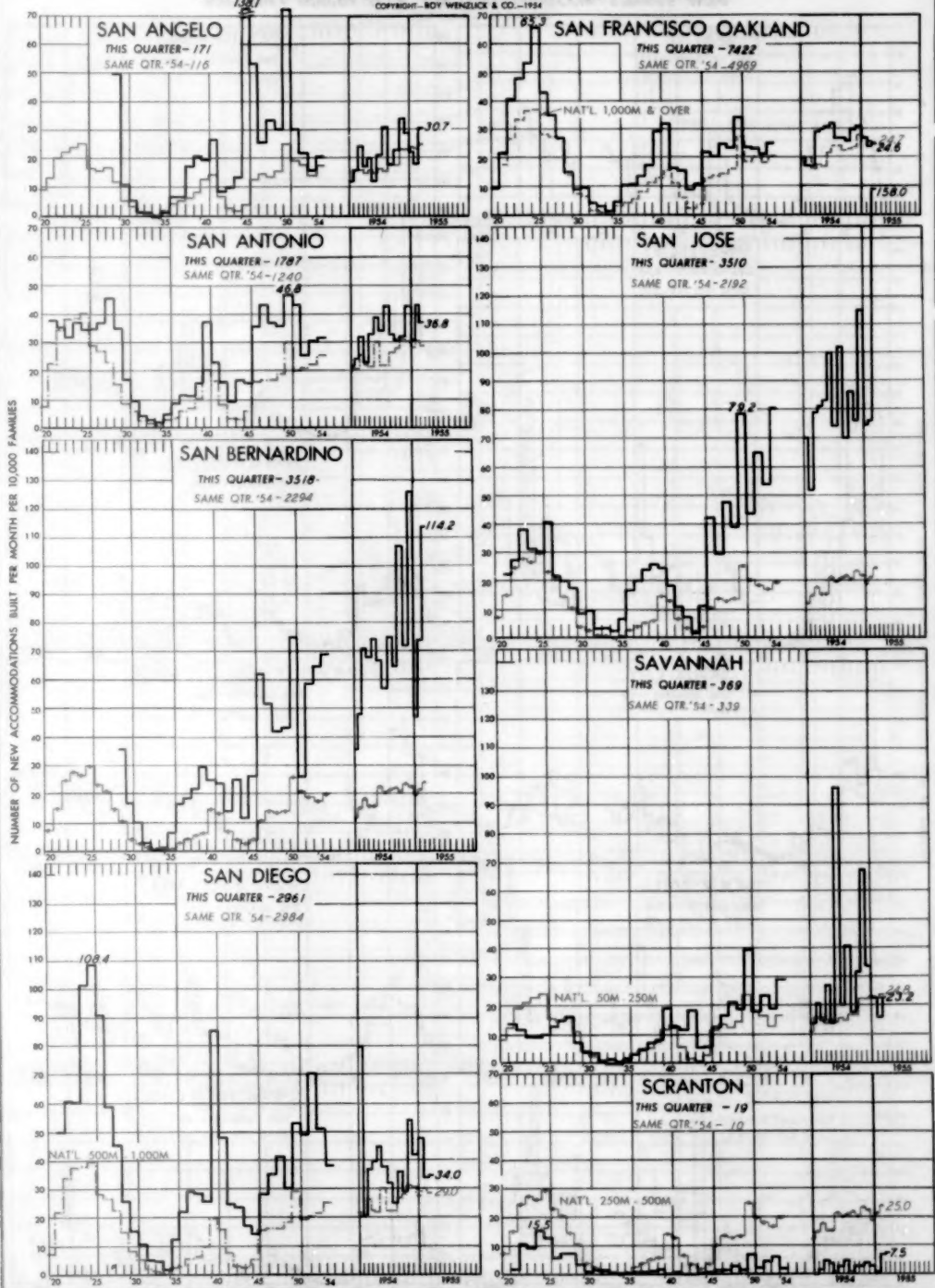
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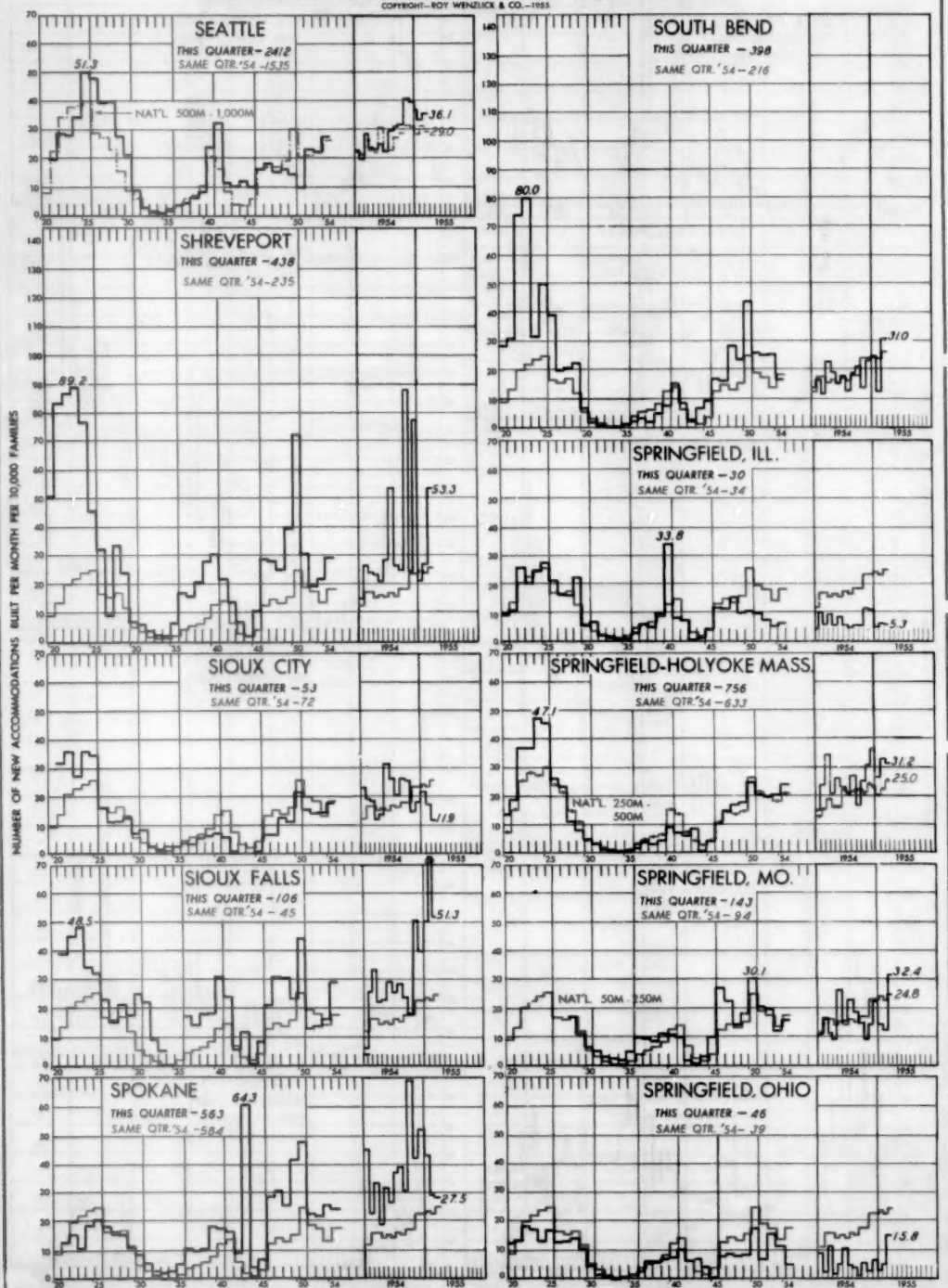
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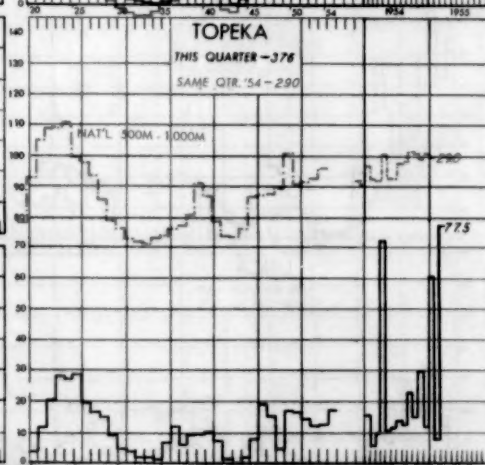
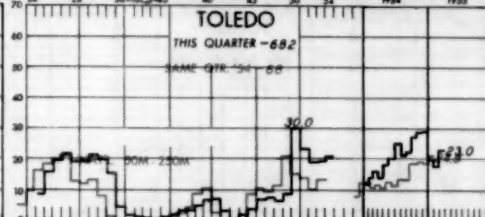
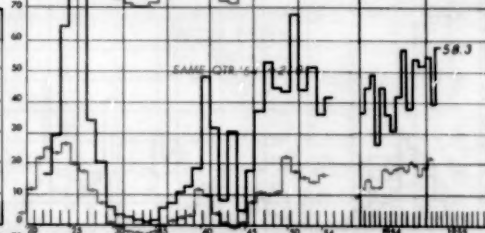
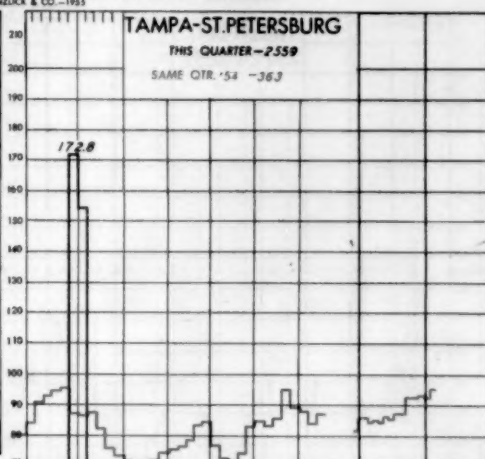
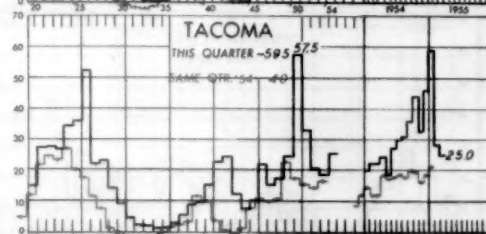
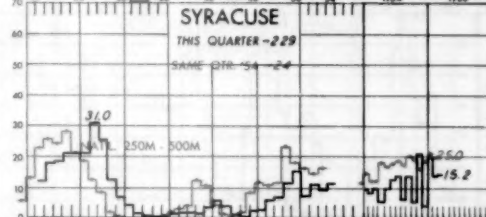
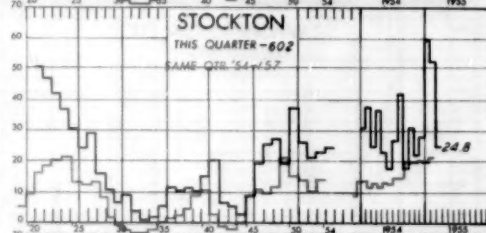
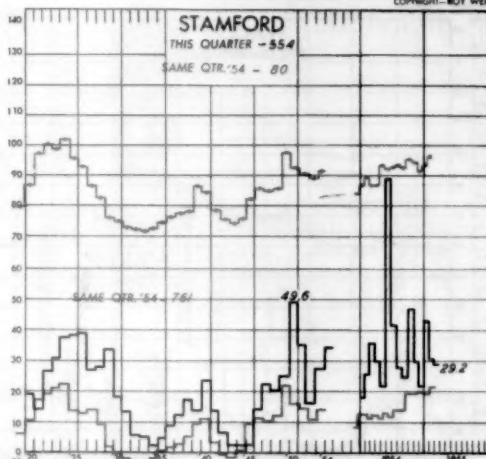
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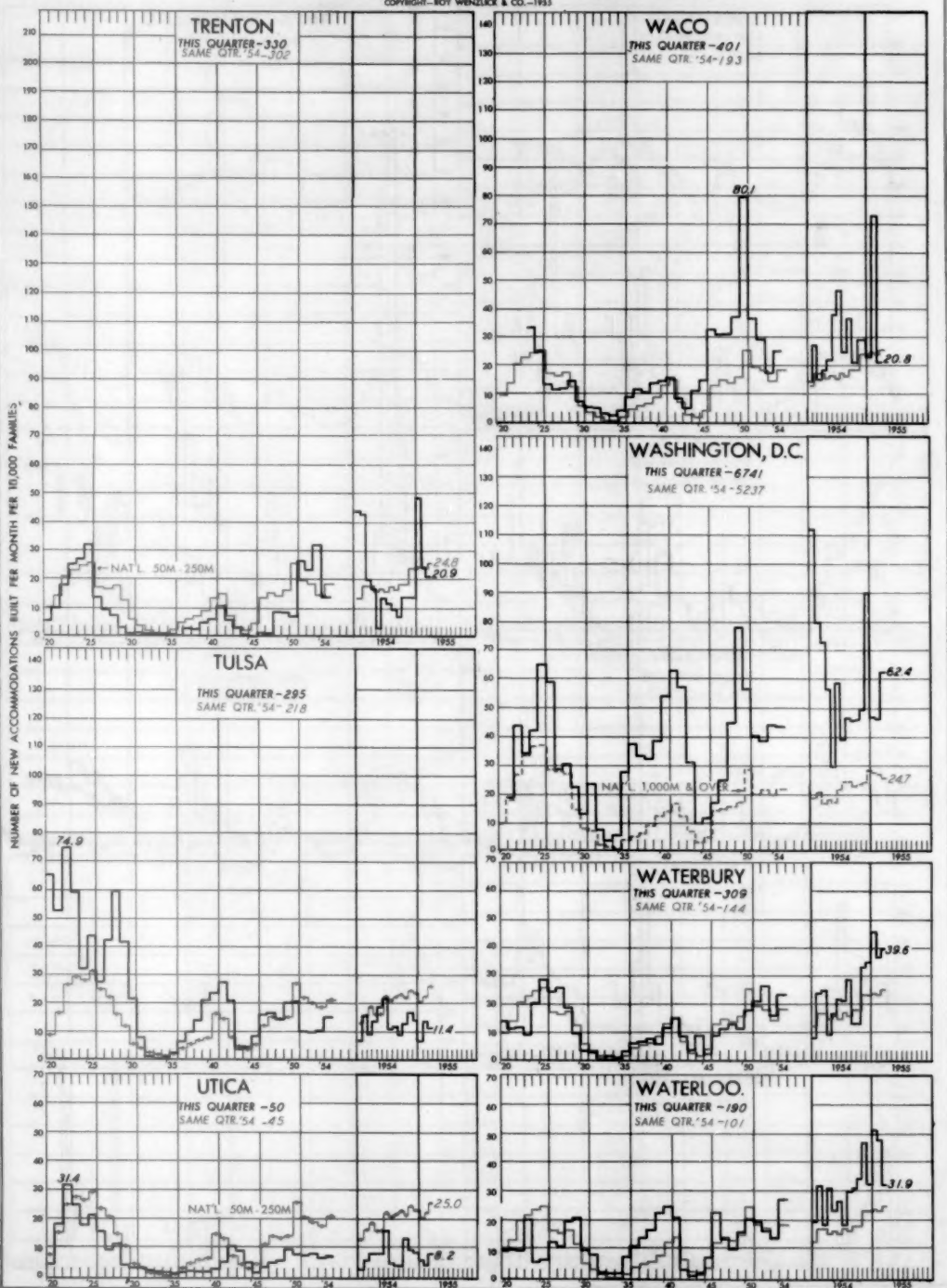
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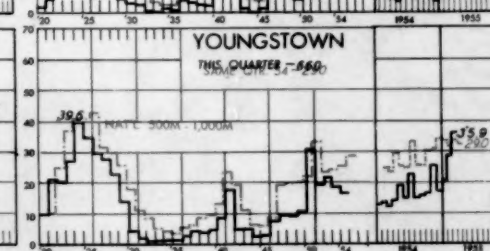
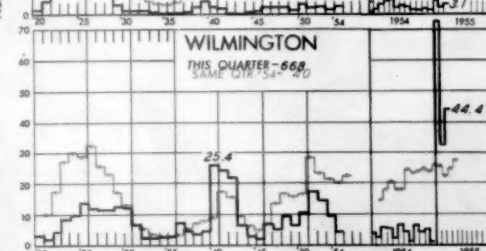
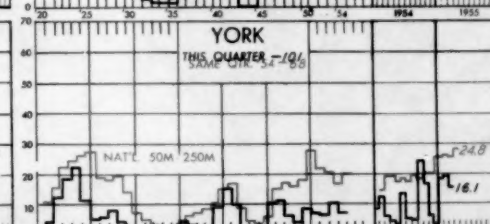
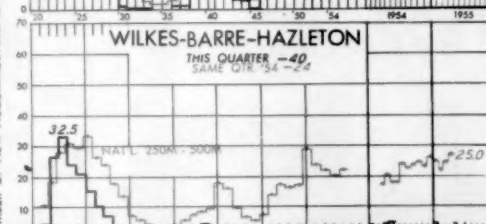
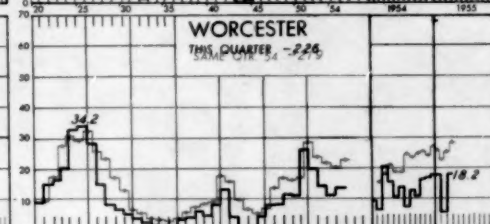
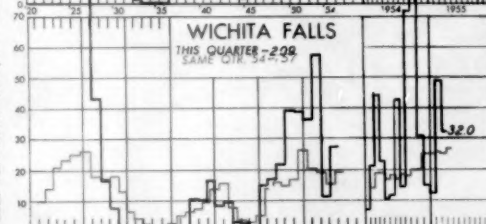
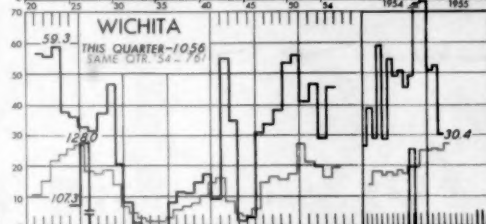
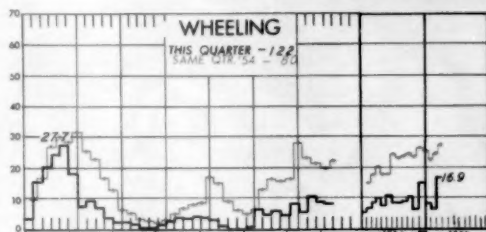
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